

August 15, 2008

Mr. Russell G. Golden Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Re: File Reference No. 1590-100

Dear Mr. Golden:

Jamie S. Miller
Vice President and Controller

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LETTER OF COMMENT NO. 84

General Electric appreciates the opportunity to respond to the Exposure Draft, Accounting for Hedging Activities: an amendment to FASB Statement No. 133 (the "ED"). We support the overall objective of the project to simplify application of FAS133 and to improve financial reporting in this area. That said, we note that certain of the proposed changes represent a fundamental reconsideration of the principles underlying hedge accounting. Specifically, the proposed elimination of bifurcation by risk has significant implications for the way in which we account for and manage interest rate risks and we would like to take the opportunity to provide further insight into our concerns related to this aspect of the ED. We have other concerns with the document but believe that those are adequately addressed in letters we have seen from other respondents.

A fundamental principle in managing interest bearing assets involves the matching of the interest rate flows from those assets with the debt that will be used to finance them, commonly referred to as "match funding". Within a global entity such as GE, where interest rate risk management is centralized, it would not be possible, cost effective or operationally feasible to maintain a perfect one-to-one matching related to timing of asset/liability cash flows. Accordingly, debt is frequently issued at a time different from when the underlying assets are originated or purchased based on market conditions, availability, and investor demand.

Match funding is a dynamic process that occurs continuously both before and after the issuance of debt. The decision to hedge and to modify or unwind a hedge of debt is largely the result of the effects of changes in asset composition rather than the underlying economics of a company's debt. In turn, the composition of interest bearing assets is determined by customer demand for particular types of financing as well as by scheduled maturities, prepayments, and other forms of settlement. Because debt is more stable and

controllable (once issued) than the assets being funded, it is more amenable to designation as the hedged item in executing the underlying risk management objective.

Under the existing guidance, we are able to issue debt in the country, term, and investor base that are the most cost effective. These debt issuances may occur before, after or contemporaneously with the acquisition of the asset. In addition, when the composition of funded assets change, we are permitted to change the hedge through dedesignation and redesignation. The current rules thereby facilitate hedging the dynamic nature of our exposure to interest rate risk, without introducing earnings volatility related to credit risks, which we manage through our rigorous underwriting and risk management processes related to the assets, not through protecting against credit risk of our own debt through the derivative markets.

The dynamic nature of this activity is in direct conflict with revised principles in the ED: (1) the preservation of the bifurcation by risk approach as defined in FAS 133 only in circumstances in which the debt is hedged at the date of issuance, and (2) the prohibition against dedesignation and redesignation of hedges. The restriction of bifurcation by risk to debt hedged at issuance addresses only a very narrow slice of the overall risk management process and will severely restrict our ability to execute our hedging strategy and impair the usefulness of our financial statements, creating confusion for investors regarding credit risk volatility. Applying this new guidance to late hedges creates earnings when credit weakens and losses when credit strengthens, even though the underlying debt will be paid in full at maturity. This phenomenon has occurred recently with many well-known issuers, leading the news media to adopt a cynical view and openly question the appropriateness of this accounting. We are concerned that the addition of new sources of credit adjustments in earnings will only serve to further lower investors' confidence in the usefulness and reliability of financial statements.

We believe that the Board needs to take into consideration the broader framework in which risks are managed and how this translates into the need for late hedging. In the basis for conclusions of the proposed standard, the Board draws a distinction between synthetically creating floating-rate or fixed-rate debt (hedged at issuance) and hedging post-debt issuance. The Board states the latter would result in the company: a) transforming fair value risk to cash flow risk, or b) taking a position on future interest rate movements. In our view, there is no substantive distinction along either of these lines between hedging at inception and subsequently. The decision of whether or not to swap the coupon on both newly issued and existing debt is based on changes in asset composition, which is the result of active asset origination/disposition, pre-payments of assets and the timing and liquidity constraints of the capital markets.

We believe the proposed elimination of the bifurcation by risk approach impairs the usefulness of financial statements for investors by introducing earnings volatility associated with risks that are not part of a company's documented risk management objective. These risks are not economically aligned with the hedging instrument and would introduce a difference in accounting between hedged and unhedged debt that are otherwise inherently the same (i.e., despite the fact that credit risk is not hedged in the former or the latter, one will show an earnings effect as a result of designation and the other will not). As a result, the

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earnings synchronization intended and achieved by electing hedge accounting would be distorted and in some cases eliminated by fair valuing the component of the hedged item related to a company's own credit risk.

We understand that some members of the Board believe that investors are better served by having information about total changes in the fair value of the hedged item. We would make two observations on that objective: (1) it can only be achieved for those relationships that fall within the scope of the guidance – thus unhedged debt and debt hedged at inception will not be treated this way, and (2) we believe that investors would be better served if that information were provided through additional disclosure about the fair value of the hedged asset or liability.

We can validate the concerns expressed by the two dissenting Board members in the ED's Alternative View with respect to the effect of eliminating bifurcation by risk. We agree that the proposal does not fairly reflect the economics of the hedging relationship and that it impairs the ability of investors to understand the underlying hedging activities conducted by the reporting enterprise. We also can confirm that the proposed standard would significantly hinder our ability to effectively manage our risks in a prudent and effective manner. We do not believe that this was the Board's original intent, nor should it logically be a consequential effect of an improved hedge accounting standard. We believe that regulators would share the concern about the consequences of this proposal on risk management practices.

If faced with a choice, we would strongly prefer to cope with the complexity of FAS 133 in its present form than to operate under a simplified standard that does not permit us to effectively manage our risks with financial results that are representationally faithful to the economics of the underlying hedging activity. We respectfully note that it has taken more than 7 years for FAS 133 to evolve into a stable standard that could be applied reasonably consistently. Given the fundamental changes proposed in this ED, if it were to be issued as final standard, we caution that it could be quite some time before it would reach a similar state. We believe that it would be more productive and helpful for all constituents if the Board redirected its efforts to convergence with IAS 39, which will be a major element of the conversion effort that all companies will have to undergo at some point in the future. This approach would also avoid requiring companies to change their accounting in this area twice within a few years.

We urge the Board to reconsider its views on the proposed changes, particularly with respect to the elimination of the bifurcation by risk approach, and would welcome the opportunity to meet with members of the Board and Staff to further explain our concerns.

Sincerely,

/s/ Jamie S. Miller

Jamie S. Miller
Vice President and Controller